



# Australian Bureau of Statistics

## 1350.0 - Australian Economic Indicators, 1992

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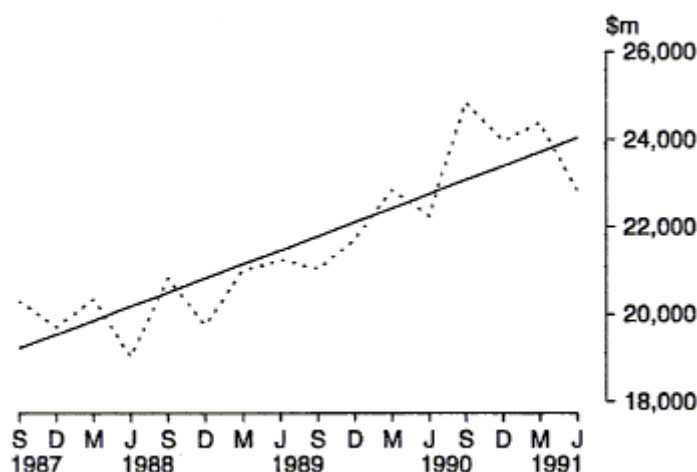
### 1992 Feature Article - The Timing of Quarterly Commonwealth Budget Sector Outlays

This article was published in Australian Economic Indicators June 1992 issue on 1 June 1992.

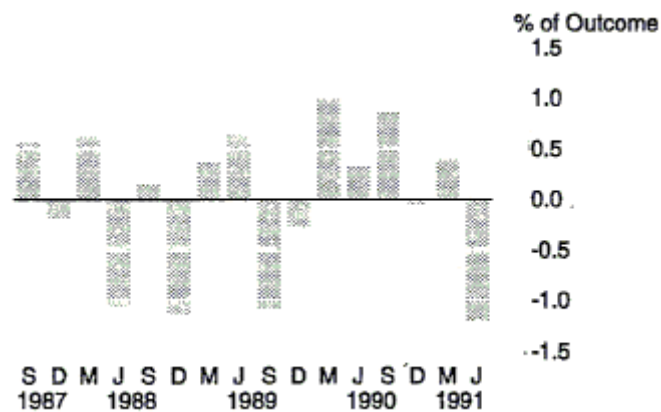
In response to requests from users, this article provides details of seasonal and irregular timing influences on quarterly Commonwealth budget sector outlays in major categories for the period 1987-88 to 1990-91. This article was originally published in the Statement of Commonwealth Financial Transactions published by the Department of Finance. It is reproduced here with the permission of the Department of Finance.

Commonwealth Government outlays display some variation across quarters. Graph A sets out quarterly total outlays from 1987-88 to 1990-91 together with a trend line. However, the seasonal and irregular effects are not large in terms of total outlays. Graph B shows the difference between the quarterly percentage of the annual total and the 25 per cent which would be observed if there were no variation between quarters. The variation between quarters is not regular. For the four financial years considered here, the December quarter is always below average and the March quarter is always above average, but the September and June quarters exhibit considerable variation from year to year.

**GRAPH A. TOTAL OUTLAYS FROM 1987-88 TO 1990-91, QUARTERLY AND TREND**



**GRAPH B. DIFFERENCE BETWEEN QUARTERLY PERCENTAGE OF ANNUAL TOTAL AND 25 PER CENT**

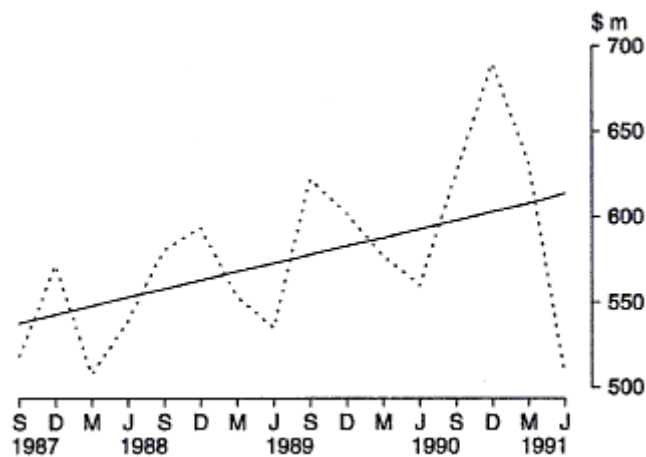


Outlays constitute only one aspect of the Commonwealth's fiscal position. The budget balance is the difference between outlays and revenue, so that within-year variation in either outlays or revenue will effect the monthly budget balances recorded. In a forecasting context, the variability displayed by total outlays reduces the utility of monthly within year balances as an indicator of the annual outcome.

Since this article is concerned with seasonal and irregular (timing) influences on quarterly outlays rather than their real level, the data used has not been adjusted for inflation. The data is based on the classifications used to present financial information in Statement 3 of Budget Paper No. 1 1991-92 and follows the functional ordering of outlays adopted there. The 36 categories of outlays set out here cover more than 80 per cent of the Commonwealth's total outlays in 1990-91 and together account for the majority of quarter to quarter variability over the last four years. Data for the remaining 20 per cent of outlays are set out as 'Other Outlays' at the end of this article. The data is similar in scope to that used in the Schedule of Regular Commonwealth Receipts and Payments, published in the summer issue of the Treasury's Economic Round-up. However, this article uses quarterly data while the Schedule uses monthly data and this article refers to the most detailed level of classification used in Budget Statement 3 while the Schedule refers to a higher level of aggregation. The scale used varies from chart to chart and this should be taken into account when interpreting trends. In the text, September, December, March and June refer to quarters, not months.

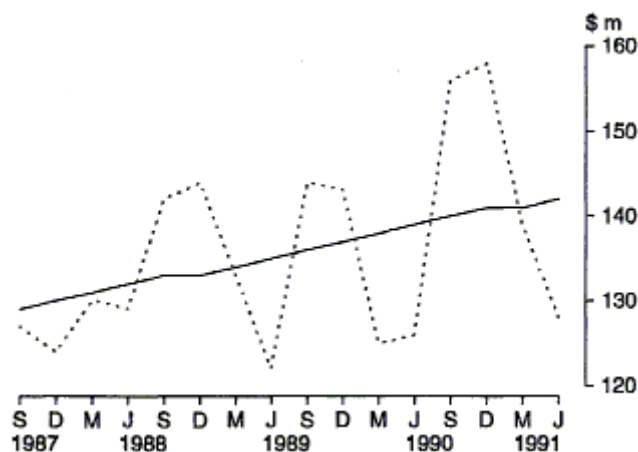
The salaries of **Defence Force Personnel** are paid on Public Service pay days, that is on alternate Thursdays. The regular outlays pattern depends on the calendar distribution of pay days. The peak in December reflects the significant number of personnel who take their recreation leave over this period, requiring payment of travel costs, leave bonus and prepaid salaries. Personnel movements between Defence establishments are also significant at this time of year resulting in increased Temporary Accommodation Allowance costs.

**GRAPH 1. SALARIES OF DEFENCE FORCE PERSONNEL**



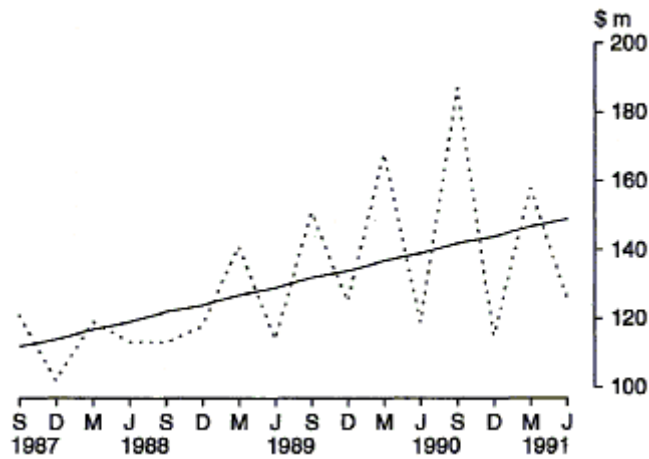
Salaries of **Civilian Employees of the Department of Defence** follow a fairly regular pattern. Outlays are high in September and December and lower in March and June. This pattern is influenced by the distribution of pay days. The peak in December reflects the significant number of personnel who take their recreation leave over this period, requiring payment of leave bonus and prepaid salaries.

**GRAPH 2. SALARIES OF CIVILIAN EMPLOYEES OF THE DEPARTMENT OF DEFENCE**



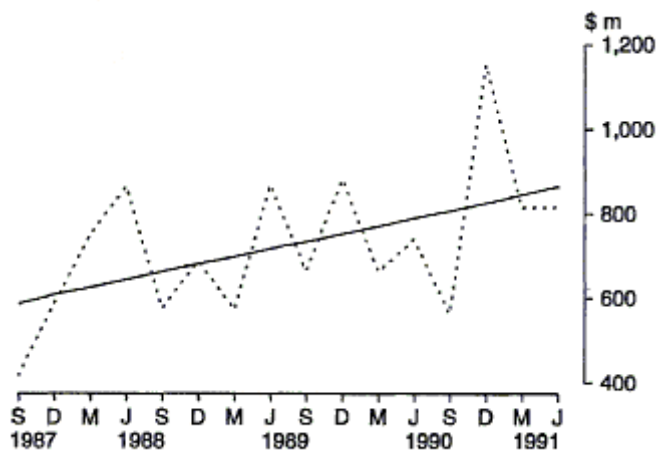
Payments of **Defence Force Retirement Benefits** are paid on alternate Thursdays to Public Service pay days. The pattern in outlays reflects the distribution of pay days between quarters and the higher level of retirements in September and March.

**GRAPH 3. PAYMENTS OF DEFENCE FORCE RETIREMENT BENEFITS**



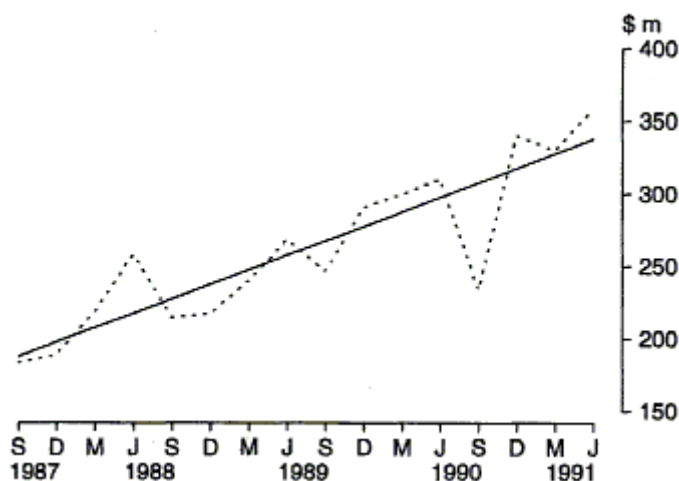
The payment pattern for **Defence Equipment and Stores** is influenced mainly by the timing of major equipment purchases. Purchases of major military equipment from overseas are often made by way of regular quarterly payments but the proportion spent overseas has been steadily declining and a greater proportion of payments are now being made in Australia.

**GRAPH 4. PAYMENTS FOR DEFENCE EQUIPMENT AND STORES**



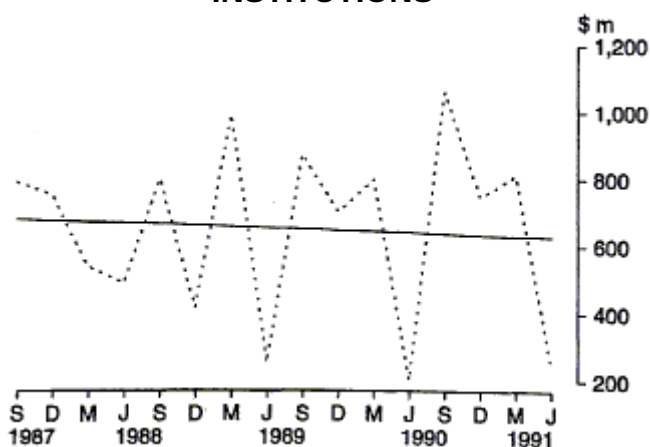
**Defence General Administration** has followed an upward trend over the period from 1987-88 to 1990-91 . Pronounced peaks in the months of May or June reflect payment for orders placed with suppliers during the same financial year. This timing also accounts for subdued spending in the September quarter.

**GRAPH 5. DEFENCE GENERAL ADMINISTRATION**



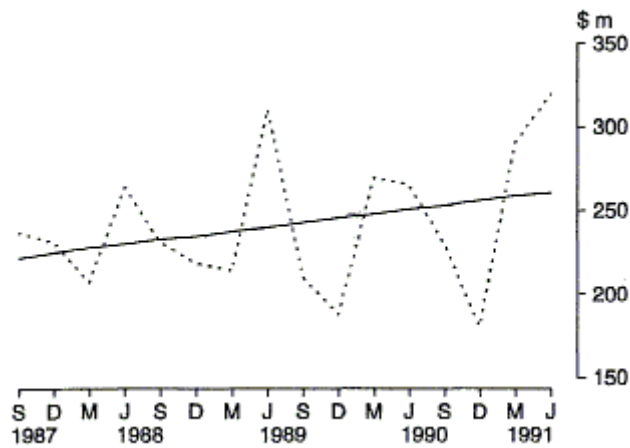
Operating payments of **Tertiary Education Grants to the States and Commonwealth Institutions** are made in twelve annual instalments. In the last two financial years, four payments have been made in September and March with three in December and only one in June. Payments under the Higher Education Contribution Scheme are not included.

**GRAPH 6. TERTIARY EDUCATION GRANTS TO THE STATES AND COMMONWEALTH INSTITUTIONS**



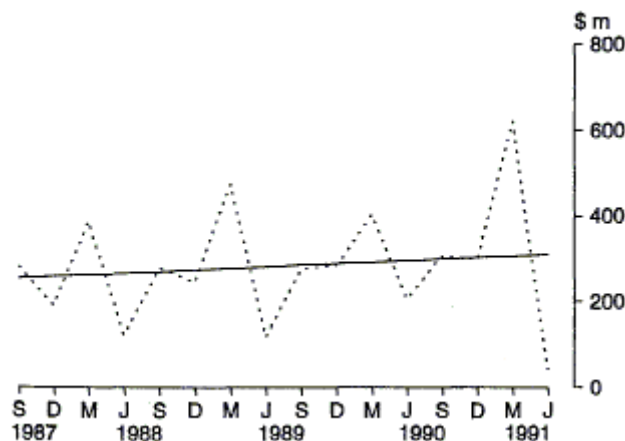
Payments to the States for **Government Schools** are made monthly. The December payment is smaller than the others because it covers only supplementation for price increases earlier in the calendar year. Payments peak towards the end of a financial year due to delays in concluding agreements between the Commonwealth and State and Territory Governments.

**GRAPH 7. PAYMENTS TO THE STATES FOR GOVERNMENT SCHOOLS**



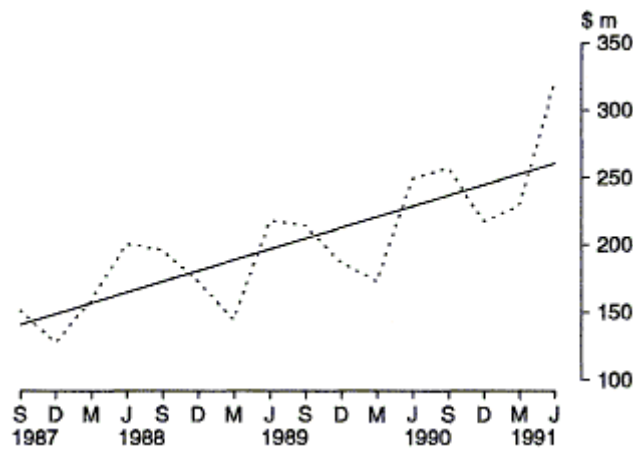
The marked seasonality displayed by payments of **Financial Support to Non-Government Schools** results from the payment arrangements agreed between the Commonwealth and non-government schools. Fifty per cent of funds are paid in January and twenty-five per cent in July and October. Supplementation for price increases which have occurred throughout the year is paid in December as soon as the relevant legislation has been passed.

**GRAPH 8. FINANCIAL SUPPORT TO NON-GOVERNMENT SCHOOLS**



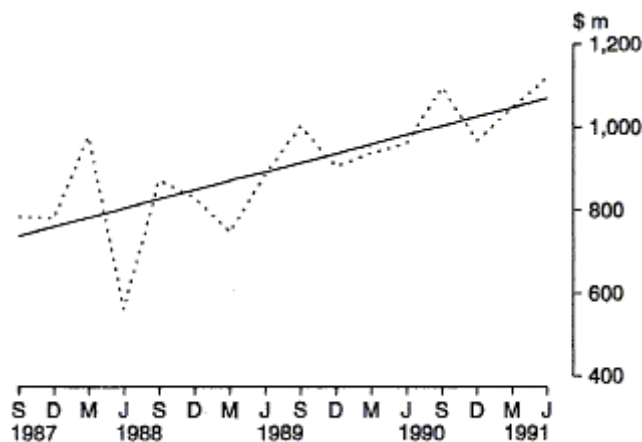
**Austudy** payments are made on alternate Wednesdays (not Public Service pay weeks). Outlays peak in June, the first full quarter of the academic year. This peak also reflects processing lags from the March quarter and catchup payments. Outlays decline in the Succeeding quarters as student numbers fall.

**GRAPH 9. AUSTUDY PAYMENTS**



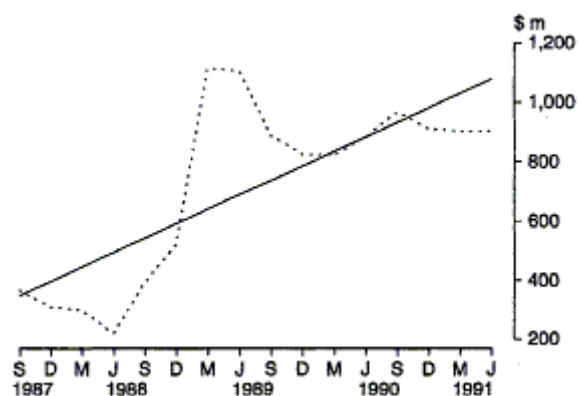
Payments to the **Health Insurance Commission for the provision of Medical Benefits** are made on the first day of each month. Influences on the pattern include seasons and weather, number of working days, school holidays and changes to benefit levels.

**GRAPH 10. PAYMENTS TO THE HEALTH INSURANCE COMMISSION FOR THE PROVISION OF MEDICAL BENEFITS**



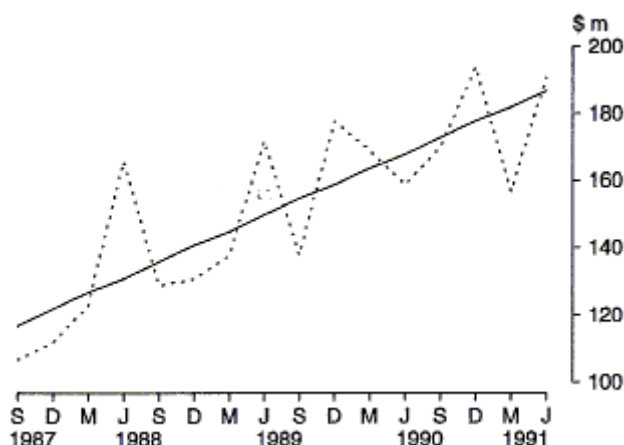
**Public Hospitals** are funded by payments to the States each Tuesday. The significant increase in outlays between December 1988 and March 1989 resulted from the replacement of Identified Health Grants to the States by specific purpose payments. Since 1989-90, levels have been higher in June and September (the winter months) and lower in December and March, reflecting fluctuations in demand for services.

**GRAPH 11. PUBLIC HOSPITALS**



In 1987-88 and 1988-89, payments for **Hospital Services For Veterans and Dependants** peaked in the June quarter but in the last two financial years the annual peak has occurred in the December quarter, reflecting changes in administrative arrangements.

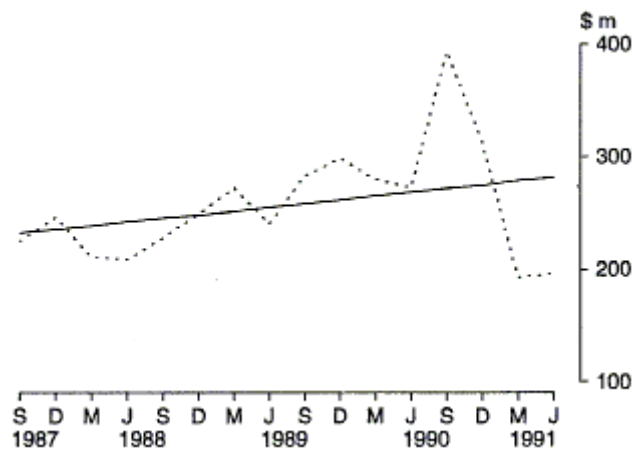
**GRAPH 12. HOSPITAL SERVICES FOR VETERANS AND DEPENDANTS**



Outlays on the **Pharmaceutical Benefits Scheme** usually peak in December or March and reach a low point in June. Because of the safety net threshold arrangements, which operate on a calendar year basis, benefits payable peak in December. Lags in submitting and processing claims may shift the peak in payments to March.

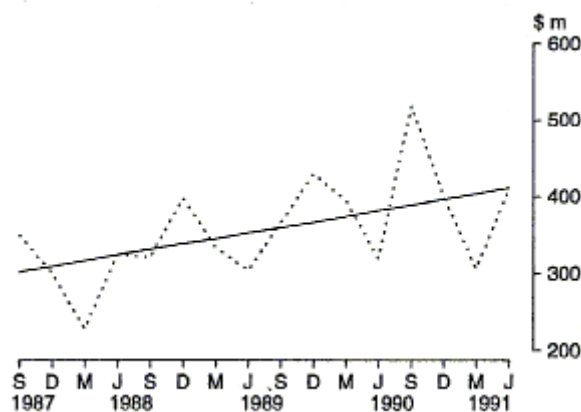
**GRAPH 13. PHARMACEUTICAL BENEFITS SCHEME**





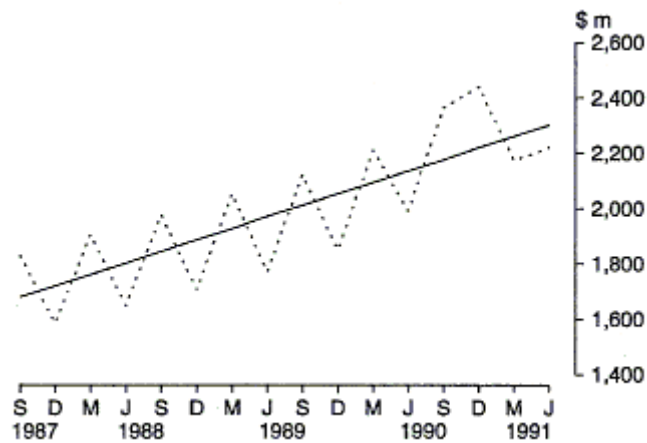
**Nursing Home Subsidies for the Aged** are made monthly in advance. An extra monthly payment is made early in the financial year and usually only two monthly payments are made in June, depressing outlays in that quarter.

**GRAPH 14. NURSING HOME SUBSIDIES FOR THE AGED**



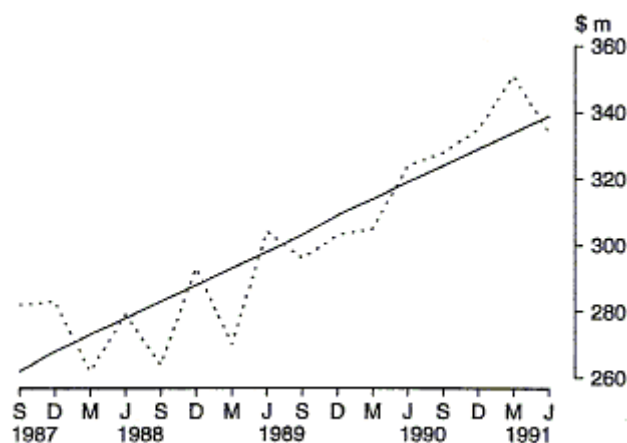
**Age Pensions** are paid every second Thursday (Public Service pay days). Up to 1990-91, the calendar distribution of pay days has determined a regular quarterly pattern, with higher outlays in March and September. In 1990-91, the extra pay days fell in June and December creating higher outlays in those quarters. Fluctuations in mortality among the beneficiary population also contribute to variation in the series.

**GRAPH 15. AGE PENSIONS**



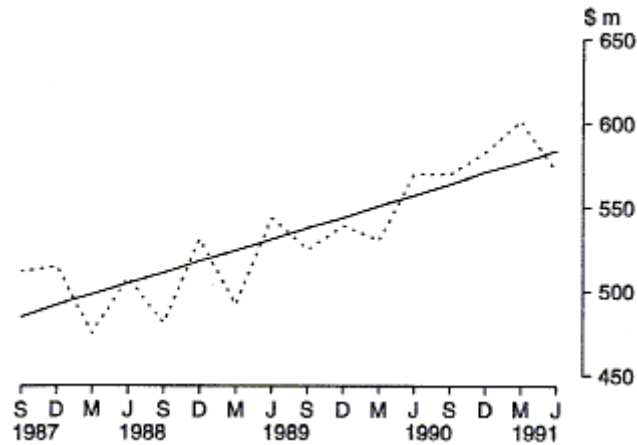
From 1989-90 **Disability Pensions and allowances for Veterans and Dependents** have been paid daily. Together with the fact that most beneficiaries are long term, this means that although these outlays show an upward trend over time they follow no regular pattern.

**GRAPH 16. DISABILITY PENSIONS AND ALLOWANCES FOR VETERANS AND DEPENDANTS**



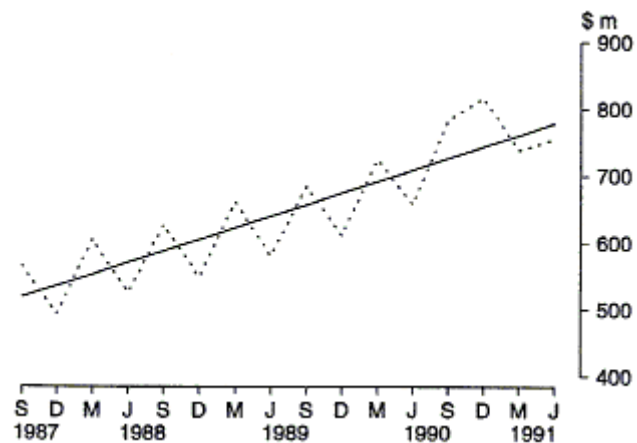
**Service Pensions** are paid on alternate Tuesdays (not Public Service pay weeks). Until 1990-91, outlays were higher in the June and December quarters and lower in September and March, as a result of the calendar distribution of pay days. In 1990-91 the extra pay days occurred in September and March, creating peaks in those quarters.

**GRAPH 17. SERVICE PENSIONS**



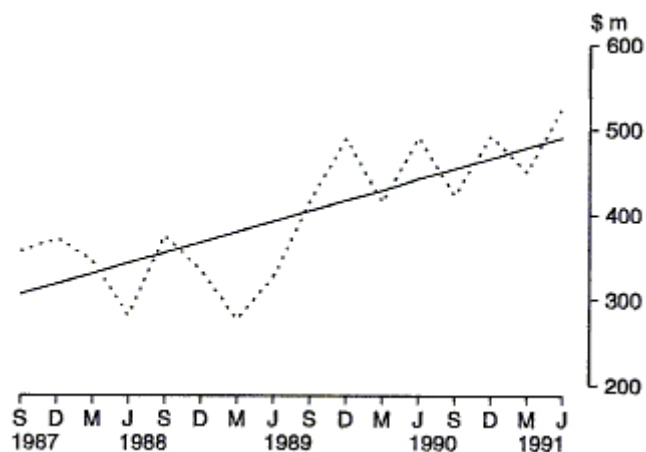
**Invalid Pensions and Allowances** are paid on Public Service pay days, which has produced a regular quarterly pattern. The interruption to this cycle in December 1990 was caused by an extra pay being processed in December for the first pay in January 1991.

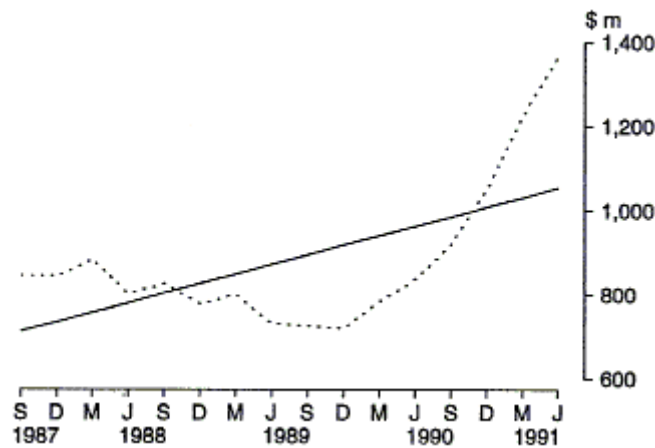
**GRAPH 18. INVALID PENSIONS AND ALLOWANCES**



Since 1989-90, **Family Allowances** have been paid on alternate Thursdays (not Public Service pay weeks). The distribution of pay days between quarters determines the regular quarterly pattern.

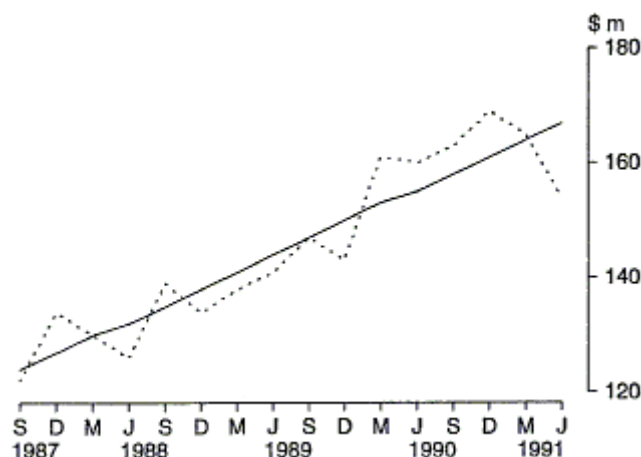
**GRAPH 19. FAMILY ALLOWANCES**





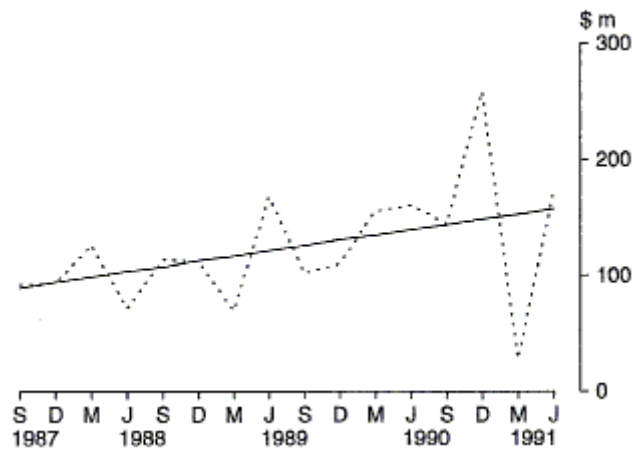
**Sickness Benefits** are paid daily on the same basis as unemployment benefits. In 1988-89 and 1989-90, outlays in this category peaked in September, dipped in December and rose over the second half of the year. In 1990-91 outlays rose in September and December before falling over the rest of the year. The change in pattern towards the end of 1990-91 may be attributed to tighter administration by the Department of Social Security and transfers to rehabilitation allowances in anticipation of the introduction of Sickness Allowance in November 1991.

**GRAPH 22. SICKNESS BENEFITS**



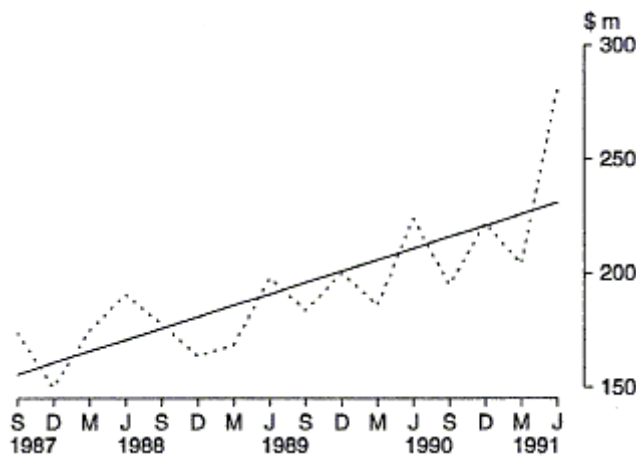
The **Aboriginal and Torres Strait Islander Commission** includes outlays on programs previously delivered through the Department of Aboriginal Affairs and the Aboriginal Development Commission and the outlays of these organisations are included here for the period before 1990-91. The series displays considerable irregularity with increased variability since the creation of ATSIC in March 1990 relating to large irregular drawdowns for grant payments.

**GRAPH 23. ABORIGINAL AND TORRES STRAIT ISLANDER COMMISSION**



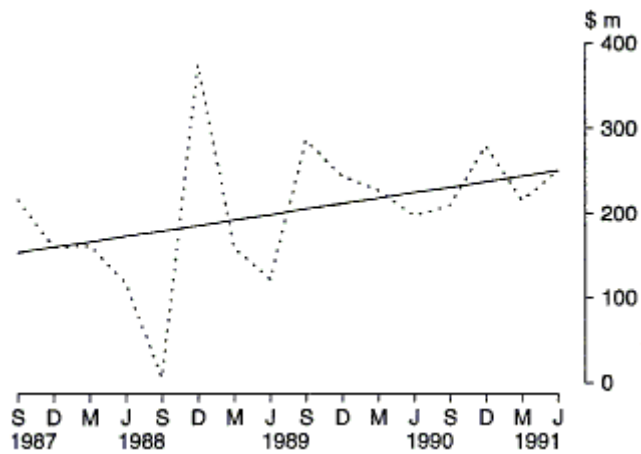
Salary and administrative outlays of the **Department of Social Security** rise and fall quarter by quarter. The uneven pattern of spending is due to the calendar distribution of pay days, seasonal client workload demands and accounts billing and payment cycles. The timing of National Wage Case decisions contributes to the peaks in June and December. The underlying upward trend in salary and administrative costs reflects increased client numbers, particularly unemployment beneficiaries.

**GRAPH 24. SALARY AND ADMINISTRATIVE OUTLAYS OF THE DEPARTMENT OF SOCIAL SECURITY**



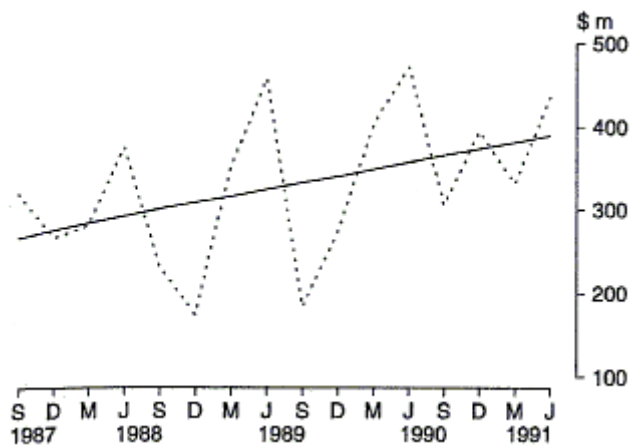
Grants to States under the **Commonwealth State Housing Agreement** are made on the first working day of each month. The instalments are roughly equal and follow no regular pattern. In 1991-92 bulk payments of a portion of these funds are being made in August and October. The remainder will be granted on the first working day of each month in approximately equal instalments.

**GRAPH 25. GRANTS TO STATES UNDER THE COMMONWEALTH STATE HOUSING AGREEMENT**



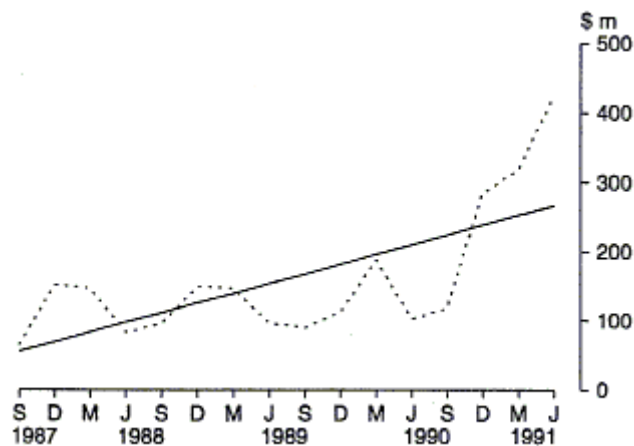
Seasonal fluctuations (weather) and the staging of construction on large capital projects produce irregular variations in **Road Grants to the States**.

**GRAPH 26. ROAD GRANTS TO THE STATES**



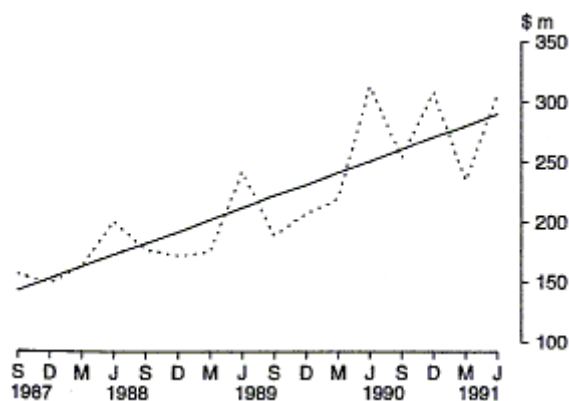
From 1987-88 to 1989-90, **Assistance to the Wool Industry** followed a fairly subdued quarterly pattern, rising from June to December and remaining roughly constant in March before falling back to a low June level. This reflected the normal seasonal pattern of wool production. The exceptional conditions prevailing in 1990-91 have disrupted this pattern with large payments occurring in the June quarter of that year and carrying over to the September quarter of 1991-92.

**GRAPH 27. ASSISTANCE TO THE WOOL INDUSTRY**



Spending by the **Australian Taxation Office** showed regular peaks in the June quarter from 1987-88 to 1989-90. Spending in 1990-91 showed a peak in December as well as June, reflecting accelerated spending on the ATO modernisation project.

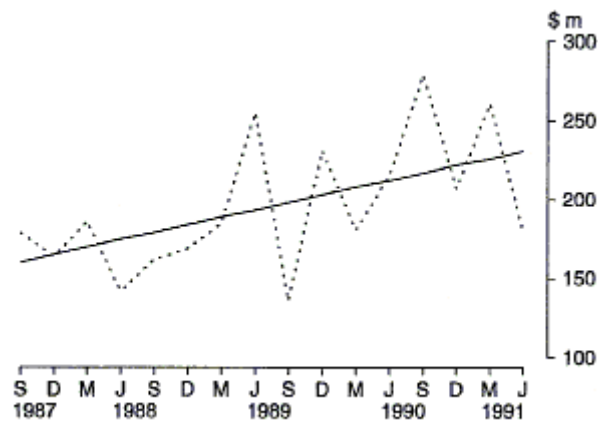
**GRAPH 28. AUSTRALIAN TAX OFFICE**



**Net Superannuation Payments** made to former Commonwealth employees and Members of Parliament are paid on alternate Thursdays (not Public Service pay weeks). The series has been characterised by large and irregular quarterly fluctuations, reflecting the calendar distribution of pay days and the timing of lump sum payments, resulting from retrenchment exercises.

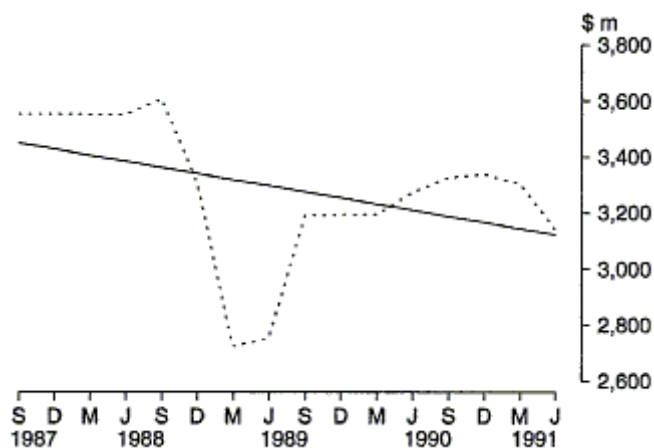
**GRAPH 29. NET SUPERANNUATION PAYMENTS MADE TO FORMER COMMONWEALTH EMPLOYEES AND MEMBERS OF PARLIAMENT**





**Financial Assistance Grants** to State governments are paid each Tuesday. No regular quarterly pattern emerges. The decline in payments from 1988-89 reflects discretionary cuts to the pool of grants and reductions to reflect additional tax powers for the States and Territories (Commonwealth GBEs and debits tax).

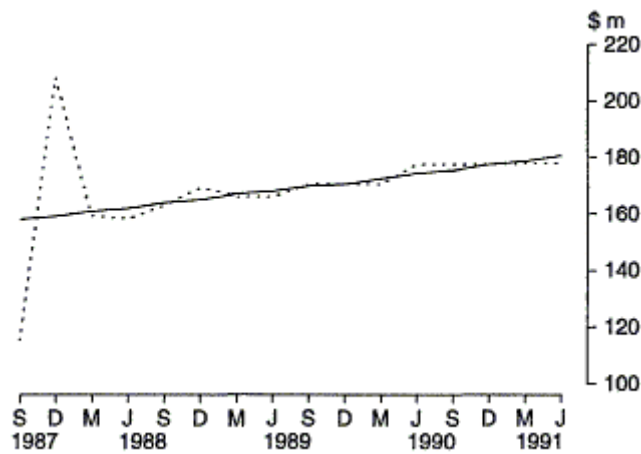
**GRAPH 30. FINANCIAL ASSISTANCE GRANTS TO STATE GOVERNMENTS**



**Sinking Fund Receipts** are paid by the States to the National Debt Sinking Fund at levels based on their debt outstanding at each 30 June. Until 1990-91 the receipts were spread evenly through the course of the year with an underlying decline offset in certain years by States choosing to pay extra contributions. In addition, in 1990-91, a large payment was made by Victoria in the March quarter. Under the terms of the sale of the State Bank of Victoria to the Commonwealth Bank, the \$413m tax compensation payment to Victoria from the Commonwealth Government was applied to the redemption of Treasury Bonds on issue on behalf of Victoria. From 1990-91 the timing of the Standard Sinking Fund Receipts is determined by the pattern of maturities.

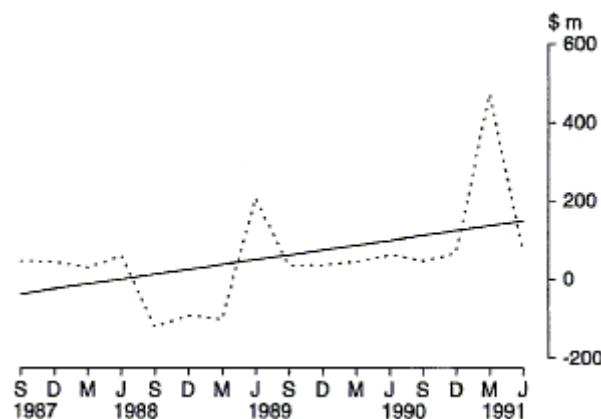
**GRAPH 31. SINKING FUND RECEIPTS**





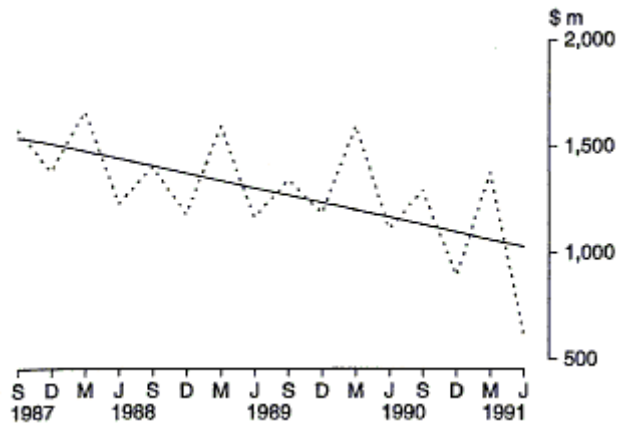
**Other Assistance to Other Governments NEC** includes payments to the States in lieu of royalties foregone as a result of the introduction of Resource Rent Tax, infrastructure grants, and compensation to various States for the effects of Commonwealth policy decisions. The payment arrangements for the several components vary as do the components themselves from year to year. Fluctuations in the aggregate follow no regular pattern.

**GRAPH 34. OTHER ASSISTANCE TO OTHER GOVERNMENTS NEC**



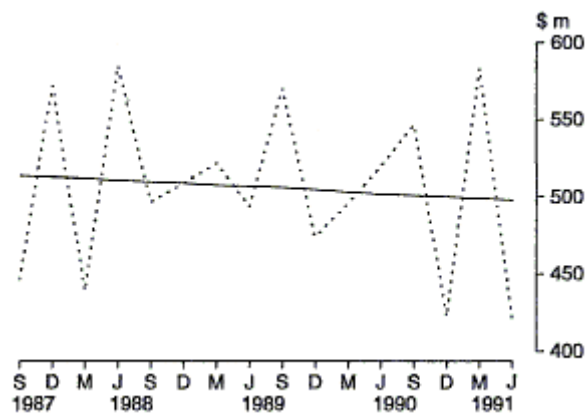
**Interest on the Commonwealth's Behalf on Domestic and Overseas Borrowings** is paid quarterly, six-monthly or annually, according to the particular instrument issued with the timing based on the date of issue. The variation in the monthly and quarterly patterns of total public debt interest payments over time reflects the pattern of issue and the mix of debt instruments. The declining trend over the last four years reflects the budget surpluses achieved from 1987-88 to 1990-91 and repayment of Commonwealth debt.

**GRAPH 35. INTEREST ON THE COMMONWEALTH'S BEHALF ON DOMESTIC AND OVERSEAS BORROWING**



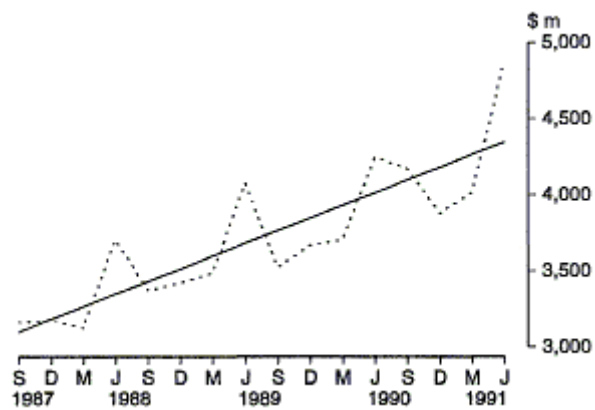
**Interest on Public Debt Issued by the States and Territories** (Treasury Bonds and Australian Savings Bonds) is paid six monthly with the timing based on the date of issue. The variation in the monthly and quarterly pattern of payments over time reflects the changing profile of outstanding debt. The declining trend reflects the redemption of these securities which is more pronounced from 1990-91 with the accelerated repayment of debt by the States and Territories.

**GRAPH 36. INTEREST ON PUBLIC DEBT ISSUED BY THE STATES AND TERRITORIES**



**Other Outlays** includes a wide range of programs with differing payment patterns. The only variation between quarters is the high outlays levels recorded in June, reflecting the effect of administrative arrangements (the annual basis of appropriations) on agencies' administrative outlays.

**GRAPH 37. OTHER OUTLAYS**



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